

**ACTIVITY 2.15****Finding the market price**

Consider the market demand and supply schedules for chocolate bars.

Price of a chocolate bar (cents)	Quantity demanded per month	Quantity supplied per month
50	100,000	420,000
40	150,000	300,000
30	200,000	200,000
20	260,000	120,000
10	330,000	60,000
5	400,000	40,000

On graph paper plot the demand and supply curves for chocolate bars on one graph with 'Price of a chocolate bar' on the vertical axis and 'Quantity per month' along the bottom axis.

- 1 Using the above table state at which price demand equals supply.  
This will be the market price for chocolate bars because at that price producers are willing to make and sell just as many bars as consumers are willing to buy.
- 2
  - a Find the market price of chocolate bars using your demand and supply curves.
  - b What is the quantity of chocolate bars traded at this price in the market?
- 3
  - a When the quantity demanded is greater than the quantity supplied economists say there is an excess demand. At which prices in the table is there an excess demand for chocolate bars?
  - b Similarly, when the quantity supplied exceeds the quantity demanded there is said to be an excess supply. At which prices in the table is there an excess supply of chocolate bars?
- 4
  - a If there is excess demand what do you think will happen to the price of chocolate bars?
  - b If there is excess supply what do you think will happen to their price?
  - c At which price will there be no excess demand or supply?

**ACTIVITY 2.16**

AS PRICE RISES

**A fall in demand and market price**

Below is a market demand and supply schedule for ballpoint pens.

Price per pen (cents)	Original demand per week	Original supply per week
300	100	500
250	200	400
200	300	300
150	400	200
100	500	100

- 1 Plot and label the demand curve (DD) and supply curve (SS) for ballpoint pens.
- 2 Mark in the market price (P) and the quantity traded (Q) at this price.
- 3 Imagine now that demand falls by 200 units at each and every price. Draw and label the new demand curve (D1D1).
- 4 What is the new market price (P1) and the new quantity traded (Q1)? Show these on your graph.
- 5 What has happened to supply and why?
- 6 Suggest four reasons why demand for ballpoint pens might fall.

**ACTIVITY 2.17****A fall in supply and market price**

Below is the market demand and supply schedule for wheat (tonnes per year).

Price per tonne (dollars)	Original demand per year	Original supply per year
500	100,000	500,000
400	200,000	400,000
300	300,000	300,000
200	400,000	200,000
100	500,000	100,000

- 1 Plot and label the demand curve (DD) for wheat and its supply curve (SS).
- 2 Mark in the market price (P) and the quantity traded (Q) at this price.
- 3 Imagine now that supply falls by 200,000 tonnes at each and every price. Draw and label the new supply curve (S1S1).
- 4 What is the new market price (P1) and the new quantity traded (Q1)? Show these on your graph.
- 5 What has happened to demand and why?
- 6 Suggest four reasons why the supply of wheat may fall.